

May 24, 2022

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

In Re: Annual Review of Base Rates for Fuel Costs for Dominion Energy South
Carolina, Incorporated (For Potential Increase or Decrease in Fuel Adjustment)
Docket 2022-2-E

Dear Ms. Boyd:

I am writing to provide a brief reply to Dominion Energy South Carolina, Incorporated's ("DESC" or the "Company") Response to South Carolina Coastal Conservation League and Southern Alliance for Clean Energy's ("CCL/SACE") Partial Petition for Reconsideration ("Petition") of Commission Order 2022-290 in the above-captioned docket. In its Petition, CCL/SACE request that the Commission reconsider its approval of the "value of solar" as calculated by DESC to determine the Net Energy Metering ("NEM") portion of the Distributed Energy Resource ("DER") Incentive that the Company may recover through the fuel rider.

Primarily, CCL/SACE wish to address DESC's post-hoc rationalization for DESC Witness James Neely's inaccurate statement regarding the value of solar. In its Response, DESC attempts to defend Witness Neely's statement regarding the aggregate value of solar as "accurately explain[ing]" the impact of adopting Witness Beach's valuation of solar. Response at 4. As noted in our Petition, Witness Neely suggested at the hearing that "customers' bills would go up" if Witness Beach's valuation adopted. Petition at 11. But, in fact, the opposite is true, as DESC *own* witness confirmed.

Specifically, DESC Witness Allen Rooks confirmed that an increase to the value of solar, as Witness Beach recommended based on his calculations, would *decrease* the NEM incentive and reduce customers' bills. Tr. at 269:6-25. DESC's attempt to backtrack or qualify Witness Rooks' correction in its Response only adds to the confusion created by Witness Neely's initial misstatement. Ultimately, though, the record speaks for itself:

Q [CCL/SACE Counsel] And then I believe, in response to a question from a Commissioner, Mr. Neely stated that, if the value were to go up, that it would increase the cost that customers pay. Do you also recall that?

A [DESC Witness Allen Rooks] I recall that.

Q Okay. Is that correct?

A No. The value of solar, or the “NEM methodology,” as it’s properly called, that value determines or sets the level that customer benefit — of customer benefit generated by the NEM system. It’s equivalent to an avoided cost — it is an avoided cost. But, essentially, the DER programs that the company has for net energy metering, it records a difference between the full retail rate and that NEM value, and then, under that settlement, that value is added to the company’s DER incremental cost as an incentive. So to the extent that that rate were to go lower, then that incentive would bump slightly higher. To the extent that that NEM value bumps slightly higher, then the NEM incentive recorded by the company would be lower.

Tr. at 268:6 – 269:25 (emphasis added); *see also* Tr. at 274:11-20 (explaining the impact to Vice Chair Belser). In fact, DESC counsel asked Witness Neely to confirm on re-direct examination—following Witness Neely’s incorrect assertion—that while he calculates the value of NEM, *other* personnel within the company apply those values that he calculates to determine rates. Tr. at 246:6-13. Presumably this clarification was intended to highlight that Witness Neely is *not* the authority on how the value of solar impacts overall rates. Witness Rooks confirmed, however, that his area of expertise *does* include the company’s overall rates. *See* Tr. at 268:6-20.

Part of DESC’s rationalization for why Witness Neely’s misstatement is now correct seems to be that because Witness Beach’s value of solar is higher than the retail rate, it would require increasing the credit applied to customer-generators’ bills, which would in turn have to be recovered from customers as an additional cost. But, though that is what the plain language of Order No. 2021-5194 directs,¹ CCL/SACE and Witness Beach have only ever advocated for a valuation of solar that complies with Order No. 2021-569 and fully accounts for the benefits to the system. *See* Direct Testimony of Thomas R. Beach at 11-33. Such a valuation, especially if the value of solar equaled the retail rate, would *decrease* the amount that DESC recovers from customers through the DER Incentive. DESC Witness Rooks confirmed that if the value of solar equaled the retail rate, the impact on customer bills would be that the “the NEM incentive line item, and in that particular line item on our DER incremental reporting, [] would decline substantially.” Tr. at 271:9-17 (emphasis added).

¹ Specifically, Order No. 2015-194 at 22, states: “For over-recovered revenue, calculate the credit, if any, to be applied to a net metering customer. [] No DER NEM Incentive shall be provided when the net metering customer receives a credit.” This language follows the symmetrical directive that has always controlled: “For under-recovered revenue, calculate the amount of any DER NEM Incentive to be applied to allow a net metering customer to achieve the 1:1 Rate for gross production from the net metering facility.

DESC's sudden reliance on Witness Neely's statement is thus plainly a distraction from DESC's persistent undervaluation of solar, which has allowed the Company to overcharge customers through an inflated NEM incentive year after year—and which will continue if reconsideration is not granted.

The same can be said for the remainder of DESC's arguments regarding the specific components addressed in the Petition, none of which justify the legal and factual errors that our Petition identified in Order No. 2022-290. Without rehashing each of the arguments made in the Petition, we note that DESC's response merely leans on Order No. 2021-569's "flexibility" to conduct various further analyses, if needed, as a way to distract from its failure to comply with explicit requirements in that order and to justify continuing to undervalue solar.

As one example, DESC emphasizes the Commission's allowance for additional analysis to justify its line losses component value, which Witness Beach asserted did not comply with Order No. 2021-569's requirement to use marginal and not average data. But this argument obscures the fact that DESC is in fact capable of estimating a value for this component and has merely chosen to do so in a way that does not comply with the methodology this Commission required in Order No. 2021-569. Specifically, as DESC acknowledges in a footnote, DESC properly estimated marginal line losses for distribution but uses average lines loss for transmission, Response at 9, n. 3, thus failing to comply with Order No. 2021-569 in a manner that underestimates that portion of the component, *see* Direct Testimony of Thomas R. Beach at 32-33; Order No. 2021-569 at 52 (ordering that avoided line losses "be calculated on a marginal basis").

In short, DESC's Response attempts to distract the Commission from the Company's failure to comply with the letter and spirit of Commission Order No. 2021-569 and fully value solar. The fact is that, so long as DESC continues to undervalue solar in the NEM Methodology, the Company will continue to over-recover from customers through the DER Incentive. For this reason, CCL/SACE urge the Commission to look past DESC's arguments and reevaluate its legal and factual rationale as requested in our Petition.

Sincerely,

s/Kate Lee Mixson

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for Clean Energy*

On behalf of the South Carolina Coastal Conservation League and Southern Alliance for Clean Energy, I hereby certify that the parties listed below have been served via first class U.S. Mail or electronic mail with a copy of the *Reply to Dominion Energy South Carolina's Response to Partial Petition for Reconsideration*.

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This 24th day of May 2022.

s/Kate Lee Mixson